



Comptroller General
of the United States

Washington, D.C. 20548

P. Jordan
H 7309

Decision

Matter of: VSE Corporation

File: B-247610.2

Date: August 6, 1992

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Richard Couch, Esq., and William R. Medsger, Esq., Department of the Army, for the agency.
Paul E. Jordan, Esq., and Paul I. Lieberman, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

1. Agency request to each offeror to furnish information omitted from proposals, prior to scoring proposals in initial evaluation, does not constitute technical leveling.
2. Solicitation caveat that low proposed rates may result in lowered technical and management scores does not require agency to downgrade offeror for proposing certain labor rates which were lower than those in agency's cost estimate.
3. To evaluate proposals for services to be performed in the Washington, D.C. area, agency reasonably based independent government cost estimate of labor rates on federal general schedule for comparable positions.
4. In evaluating probable overall cost to government, agency reasonably applied flat percentage for subcontracting based on prior contract performance. Solicitation requirement for submission of separate cost proposals for sample tasks, which did not specify how such costs would be evaluated, did not obligate agency to use sample task information to modify probable overall cost evaluation.

DECISION

VSE Corporation protests the award of a contract to Vitro Corporation under request for proposals (RFP) No. DAAK70-91-R-0017, issued by the United States Army

Belvoir Research, Development and Engineering Center (BRDEC). VSE contends that BRDEC's technical and cost evaluations were flawed.

We deny the protest.

The RFP sought proposals to provide engineering services for the design and fabrication of equipment prototypes. The contract is on a time and materials, labor-hour basis with reimbursement of subcontractor costs. Award was to be made to the responsible offeror whose proposal provided the quality/cost relationship most advantageous to the government. While cost was the least important evaluation factor, if competing proposals were determined to be substantially equal, cost would become the deciding factor. The contract award was to be for 1 base year with three 1-year options.

Vitro, VSE, and a third offeror submitted proposals by the July 18, 1991, closing date. Upon receipt, the agency reviewed the proposals and requested the offerors to submit additional information. VSE was asked 2 questions, Vitro, 7 questions, and the third offeror, 19 questions. The offerors' responses were considered by the agency in its initial evaluation.

Proposals were evaluated on four primary factors, in descending order of importance: technical, management, sample tasks, and cost. All factors but cost were scored on the basis of point scores and adjectival ratings.¹ Since the third offeror's proposal contained major deficiencies, it was eliminated from the competitive range. Both VSE's and Vitro's proposals received overall "superior" ratings in the technical and management factors and "good" ratings for the sample tasks. Out of a possible 2,500 points, VSE's proposal received a score of 2,059 points and Vitro's, 2,140 points. The contracting officer determined that the proposals were essentially equal. Based upon the superiority of the two proposals and the potential for technical leveling or transfer of expertise, the agency decided not to conduct technical discussions with either VSE or Vitro.

Cost proposals were evaluated for completeness, "realism," reasonableness, and "probable overall cost." Only the "realism" and "probable overall cost" factors are relevant

¹Adjectival ratings ranged from "superior" to "inadequate." Percentage scores for each factor and subfactor were multiplied by the weight of each factor to arrive at the technical score.

to this protest. Since the offerors' proposed labor rates provide the basis for fixed price task orders, the cost "realism" analysis was used in the best value analysis as one means of helping assess the offerors' technical understanding and management judgment.²

In this regard, the source selection plan provides that the government was concerned with the quality and stability of the work force to be employed. Inadequately low rates could impair a contractor's ability to attract and retain competent professional service employees and could be viewed as evidence of a failure to comprehend the complexity of the requirements. Adequacy also was emphasized because of problems caused by low rates in the prior contract performed by the protester, VSE. The Army Audit Agency had audited the prior contract and concluded that VSE did not use its lower priced labor categories.

In evaluating cost adequacy, the agency found that Vitro cited, but did not furnish, wage surveys and consulting firms in support of its rates. VSE submitted the wage surveys on which it relied and the agency verified that the rates were within industry norms. To further evaluate cost adequacy, the agency developed an independent government cost estimate (IGCE) of unburdened labor rates for each category covered in the RFP.

Both offerors proposed a number of labor rates below the IGCE rates.³ The evaluators adjusted these rates upward to the IGCE level before applying the offerors' profit,

²The agency sometimes referred to its cost realism analysis in terms applicable to cost analyses necessary when a cost reimbursement contract is contemplated and award will be based upon a comparison of what the government believes will be the most likely actual ("realistic") cost of each offeror's performance. In this case, the agency's "probable overall cost" analysis (described below), not the cost realism analysis, established the amounts used to compare the likely actual costs of performance. To avoid confusion, in this decision we refer to the agency's cost realism analysis as an analysis of the "adequacy" of the offerors' costs.

³Of 36 different labor categories, Vitro proposed 18 and VSE proposed 23 which were at or above the IGCE rates. Of the rates below the IGCE, 11 categories were common to the two offerors.

indirect rates and factors to the proposed and adjusted rates and multiplied by the agency's estimate of hours for each labor category. The agency then added figures representing budget estimates for other direct costs, including materials, travel, printing, subcontracts, and equipment usage. The resulting "adequate" cost was compared to the offerors' probable overall cost, which was calculated in a similar fashion with the exception that the offerors' rates were not adjusted to reflect the IGCE minimum rates. Based on all the information submitted, the agency concluded that both offerors had proposed adequate labor rates. Vitro's initial probable overall cost was less than VSE's.

The evaluators conducted cost discussions with both offerors, including references to the government's recommended profit and discrepancies in their cost proposals. The offerors submitted best and final offers (BAFOs) on October 18, correcting the matters addressed in discussions. The evaluators conducted the same adequacy and probable overall cost calculations on the BAFOs. VSE's probable overall cost was in excess of \$1 million higher than Vitro's.

In reviewing the final evaluation reports the source selection authority (SSA) was concerned that VSE, the incumbent, may have been entitled to higher scores in some areas. As a result, in his evaluation, VSE gained a .09 percent point advantage in score, but the SSA still concluded that the proposals were essentially equal.

With regard to cost adequacy, the SSA noted that the most relevant below-IGCE rates proposed by Vitro were in certain managerial labor categories which were also lower than VSE's rates. He had the agency cost evaluators conduct 10 cost sensitivity analyses in which the labor categories and hours were adjusted to reflect varying mixes of junior and senior personnel to determine whether Vitro's cost would exceed VSE's if Vitro attempted to use its higher priced manager category to perform the work. Under all scenarios, Vitro's cost remained lower than VSE's.

Based upon the technical and cost evaluations, as well as the additional analysis, the SSA found no significant technical or management difference between the two proposals. Since he considered the proposals to be technically equal, he concluded that award should be made to Vitro because of its significantly lower labor rates that

resulted in a lower probable overall cost. The Army awarded Vitro the contract on February 7, 1992. After receiving a debriefing, VSE filed this protest with our Office.⁴

TECHNICAL LEVELING

VSE first contends that the agency engaged in technical leveling by asking Vitro seven questions regarding proposal omissions, while only asking VSE two questions. One of the questions addressed to Vitro referred to a number of specific areas of the statement of work to which Vitro had not adequately responded. According to an explanatory note, Vitro's proposal failed to demonstrate an understanding of the relevant technical requirements. VSE asserts that without this opportunity to provide detailed responses, Vitro would not have received as high a score as it did. We find no impropriety.

Written or oral discussions must be held with all responsible sources whose proposals are within the competitive range. Federal Acquisition Regulation (FAR) § 15.610(b). Discussions include the opportunity to satisfy the government's requirements after the agency identifies proposal deficiencies. Id. Since the number and type of proposal deficiencies, if any, will vary among the proposals, it is proper for an agency to individualize the discussions based on the evaluation of each offeror. See FAR § 15.610(d); Pan Am World Servs., Inc. et al., B-231840 et al., Nov. 7, 1988, 88-2 CPD ¶ 446. However, technical leveling, which is defined as helping to bring one proposal up to the level of the other proposals through successive rounds of discussions, must be avoided. Technical leveling may include pointing out inherent weaknesses that remain in the proposal because of the offeror's lack of diligence, competence, or inventiveness after having been given an opportunity to correct them. Price Waterhouse, B-222562, Aug. 18, 1986, 86-2 CPD ¶ 190; FAR § 15.610(d).

⁴In addition to the grounds discussed below, VSE alleged that the agency had not engaged in meaningful discussions with the protester; that the agency had improperly disclosed RFP information to Vitro without disclosing it to VSE; and that Vitro's proposal failed to meet the shop door size requirement. We need not address these issues: The agency reports explain in detail why VSE had received meaningful discussions; state that Vitro received no more information about the RFP than any other offeror; and state that Vitro in fact met the door size requirement, but VSE did not address these matters in its comments. See Reach All, Inc., B-229772, Mar. 15, 1988, 88-1 CPD ¶ 267.

The concept of technical leveling pertains only to repeated rounds of discussions. CBIS Fed. Inc., B-243844, Mar. 27, 1992, 71 Comp. Gen. ___, 92-1 CPD ¶ 308. Here, prior to the scoring of proposals and selection of a competitive range, there was a single round of technical "discussions." The number and the type of questions asked the offerors appear appropriate for each offeror. Vitro's questions concerned omissions of certain details of its approach such as quality control issues. We find no impropriety in Vitro's providing detailed responses; the offeror simply took the opportunity to provide as complete responses as possible. In this regard, each response referred the evaluators to the original proposal where the subject was covered. We conclude that the questions were designed to ascertain what the offerors were proposing to furnish, not to raise Vitro's technical proposal to the level of the protester's proposal. CBIS Fed. Inc., supra. The evaluators considered the responses in the initial evaluation, found both proposals superior, and determined that successive rounds of discussions would neither improve them nor result in one proposal being significantly superior to the other. There is no evidence of technical leveling.

VITRO'S EVALUATION:

Section M.5.d. of the RFP advised offerors that their total compensation plans would be evaluated to ensure that they reflected a sound management approach and understanding of the contract requirements. As to cost adequacy, the RFP "cautioned" offerors about proposing "lower hourly levels than that generally paid for essentially the same professional work," noting that such proposals "may indicate a lack of sound management judgment, evidence [a] failure to comprehend the complexity of the solicitation requirements and may result in the proposal receiving a lower score."

VSE contends that the agency failed to evaluate Vitro in accordance with these RFP evaluation criteria. In VSE's view, Vitro's low labor rates required the agency to downgrade it in the areas of technical understanding and management. The Army responds that its evaluation of Vitro's low rates was consistent with the RFP criteria. It is not a function of this Office to evaluate technical proposals; rather we will examine the agency's evaluation only to ensure that it was fair and reasonable and consistent with the evaluation criteria stated in the RFP. JWK Int'l Corp., B-237527, Feb. 21, 1990, 90-1 CPD ¶ 198. We find the evaluation of Vitro's technical and cost proposals to be reasonable and in accordance with the evaluation criteria.

In both the technical and management categories, the evaluators found nothing to indicate a lack of understanding by Vitro of the requirement, or a lack of sound management judgment. In particular, they found that Vitro had identified and thoroughly discussed all areas of the RFP; had demonstrated a thorough knowledge and implementation plan of the evolving technologies involved in the requirement; and had presented a clear understanding of the prototyping process. Vitro's management proposal reflected a staff which was well qualified and possessed experience and capability to manage the requirement. It also provided a well-constructed and complete approach through its organization, startup, management surveillance, quality control, and cost and time reduction plans. Based on these findings, the evaluators rated Vitro's proposal "superior."

In analyzing Vitro's cost adequacy, the evaluators considered the reasonableness of the rates, as evidenced by the Defense Contract Audit Agency's recommendation that Vitro's base labor and indirect rates should be accepted. They also identified those costs which fell below the IGCE and considered the reasons for some of the lower rates. For example, some were attributable to Vitro's use of composite rates for certain labor categories and others resulted from incorporation of uncompensated overtime in some rates. At the direction of the SSA the cost evaluators conducted sensitivity analyses to determine whether Vitro's low rates would result in higher costs. All cost evaluations resulted in costs for Vitro which remained lower than VSE's costs. Overall, the evaluators found Vitro's total compensation plan sufficient to attract and retain qualified personnel. The SSA found that neither the number of "unrealistic" rates nor their magnitude suggested that Vitro failed to understand the requirement.

Thus, the record establishes that the evaluators considered both the technical and cost implications of Vitro's understanding of the requirement and its judgment. While Vitro's rates were lower than the IGCE rates, the evaluators found that its personnel were qualified and that its proposal demonstrated Vitro's understanding of the level of effort necessary to perform. On this record, we find that the Army reasonably chose not to downgrade Vitro's proposal on these bases. VSE's mere disagreement with the agency's judgment does not make the evaluation unreasonable. United HealthServ Inc., B-232640 et al., Jan. 18, 1989, 89-1 CPD ¶ 43.

IGCE ANALYSIS

In determining its IGCE, the Army considered industry wage surveys and federal general schedule (GS) scale rates for job classifications comparable to the RFP labor categories,

rates from other contracts with similar types of skills and labor classifications, and VSE's current contract for this requirement. The agency rejected the industry surveys based on its opinion, which was shared by some industry representatives, that the surveys tended to reflect the high end of labor rates, and because of the relatively low number of respondents to the surveys. Instead, the agency chose the GS scale as the primary basis for its IGCE rates. The rates were adjusted up or down based on inflation considerations; the agency's experience with hiring and maintaining BRDEC's workforce; and the particulars of the RFP's labor classifications. The agency also elected to use the GS scale which it recognized as being at the low end of the local pay scale because it was looking for rates to serve as a "floor." The agency reasoned that the scale was reasonable since the federal government is able to hire and maintain a staff of competent engineers under this pay system.

VSE argues that this "wholesale adoption" of the GS scale for the IGCE, without incorporating industry labor rates was improper as it did not reflect wages "generally paid for essentially the same professional work" in the Washington, D.C. area. VSE also believes such a low IGCE is contrary to the agency's stated emphasis on cost "realism."⁵

The contracting officer is responsible for selecting and using whatever price analysis techniques will ensure a fair and reasonable price including comparison of proposed prices with independent government cost estimates. FAR § 15.805-2. We will not question a government estimate where the contracting agency has submitted supporting evidence which provides a reasonable basis for the estimate. See South Atlantic Dredging Co., Inc., B-239834, Sept. 20, 1990, 90-2 CPD ¶ 241.

We find nothing unreasonable in the agency's calculation of the IGCE. As outlined above, it is clear that the agency

⁵Since the RFP indicated that the agency would use the higher of adjusted or actual labor rates in the cost evaluation, VSE argues that the faulty IGCE resulted in a faulty cost "realism" analysis. We disagree. As this was not a cost reimbursement contract, the agency's adjustment of rates was limited to the adequacy analysis vis-a-vis matters such as technical understanding and management judgment. We note that even after Vitro's cost was "adjusted" upward, it remained \$600,000 lower than VSE's overall (unadjusted) probable cost. Further, using VSE's own cost adjustment estimates, based on local wage surveys, VSE's adjusted cost is approximately \$500,000 higher than Vitro's adjusted cost.

exercised reasoned judgment in establishing the IGCE. The GS scale served the agency's purpose of setting a floor below which proposed rates would be considered as possibly reflecting adversely on the offerors' technical capability. Since the federal government is able to employ competent people at these rates in the Washington area, we agree that the agency properly considered the rates reasonable. While the protester believes that the estimate should have been based on local wage surveys, this does not make the agency's decision unreasonable. In this regard, we note that the wage surveys submitted by VSE contain rates generally comparable to the GS scale. Using the lowest tenth percentile rates, all of VSE's rates and 29 of Vitro's rates are considered adequate. The fact that these rates are in the lowest tenth percentile merely reflects the agency's own recognition that its rates were to be a "floor," at the low end of the local scale.

We also do not find that the agency's determination of its IGCE is inconsistent with its desire to avoid "unrealistic" rates. Under the prior contract, VSE was perceived by the agency to be underutilizing certain of its lower priced labor categories. The protester has not shown how the agency's award to Vitro will lead to the same problems with rates as were experienced under VSE's contract.

APPLICATION OF THE IGCE TO VSE

VSE also contends that the agency mechanically applied the IGCE to its proposed labor rates. VSE believes that the analysis was improper because the agency did not consider information submitted by VSE to support the adequacy of its rates. Under a solicitation which contemplates a cost-reimbursement contract, where an agency evaluates cost realism using a government estimate, it may not mechanically apply that estimate to determine evaluated costs for award. See United Int'l Eng'g, Inc. et al., 71 Comp. Gen. 177 (1992), 92-1 CPD ¶ 122. However, that decision is inapposite.

Here, unlike United Int'l Eng'g, Inc. et al., *supra*, a cost reimbursement contract is not contemplated, and, therefore, the award decision was ultimately based on a comparison of probable overall cost as calculated from the offerors' own labor rates (multiplied times the estimated hours each category of personnel would work under the contract), without adjustment for "realism." Since the agency found VSE's rates to be adequate and did not find that they evidenced a lack of technical understanding, there could be no prejudice to VSE in the agency's use of its IGCE. The running of 10 different labor/hour mix scenarios on Vitro's costs failed to produce any situation where VSE's probable costs would be lower than Vitro's probable costs.

Accordingly, the alleged deficiency in the evaluation had no effect on the outcome of the competition, and thus, does not provide any basis for questioning the award. See Fairchild Space and Defense Corp., B-243716 et al., Aug. 23, 1991, 91-2 CPD ¶ 190.

EVALUATION OF VITRO'S SUBCONTRACTING

As provided in the RFP, probable overall cost was estimated by using the hourly rates proposed by each offeror for the base and option years. These rates were multiplied by the government estimate of hours for each labor category for the same time periods. To these figures were added fixed estimates of other direct costs based on their percentage of the agency expenditures under the prior contract. Subcontracting costs were estimated at 17 percent.

According to VSE, the agency's use of the 17 percent figure underestimated Vitro's subcontractor costs. In VSE's view, the agency should have used a larger subcontracting level which VSE contends was indicated in Vitro's proposal. Vitro's greater reliance on subcontractors allegedly is evidenced by the following: the number of Vitro subcontractors with expertise in the "typical" tasks the Army used in calculating its IGCE; and Vitro's sample tasks responses which indicated an average subcontractor cost of more than 40 percent. VSE also notes that Vitro's subcontractor labor rates are higher than Vitro's own rates. Since subcontracting costs are a reimbursable item, VSE argues that the underestimate resulted in an artificially low probable overall cost for Vitro. The record provides no basis to question this aspect of the agency's evaluation.

First, the agency submitted sufficient supporting evidence to provide a reasonable basis for its flat percentage estimate for subcontracting. See South Atlantic Dredging Co., Inc., supra. The 17 percent figure was based upon analysis of contract expenditures for the prior contract for this requirement. The agency decided to use a fixed percentage because of the unpredictable nature of this task order contract. It could not predict the number of subcontracting hours which might be necessary since the details of a future task order (quantity, type of work, and duration) are not known until the order is issued. It could not predict the cost of subcontracting hours since offerors were not required to submit those rates. Nor could it predict which subcontractors would be used, since the winning contractor would not be bound to use the subcontractors it proposed. Further, no task order will be issued without negotiations during which the agency will

have the capability to prevent the contractor from using its subcontractors excessively.⁶

Second, according to the Army, these proposed subcontractor costs are unreliable predictors because of the limited use of the sample tasks themselves. As already stated, these tasks were not negotiated as part of the evaluation as actual task orders would be. In addition, the sample tasks do not represent the contract as a whole. They were intended only as a tool for evaluation of technical approach and capability, and evaluation of their cost was limited to assuring that labor rates were applied correctly by the offerors.

Third, the agency did not view the sample task subcontracting costs as representative of either offeror's approach. For example, both Vitro and VSE have subcontractors with expertise in the "typical" tasks the Army used in calculating its IGCE. Despite the 40 percent average subcontractor cost in Vitro's sample tasks, Vitro's proposal states that it intends to perform most tasks using its own broad-based resources, and that it will use specialty area subcontractors only when necessary. Conversely, despite the 10 percent subcontractor cost average in VSE's sample tasks, its proposed subcontracting plan included a possible subcontracting mix representing approximately 40 percent of its probable overall cost. Under these circumstances, we find that VSE's speculative contentions provide no basis for sustaining this aspect of its protest. See Independent Metal Strap Co., Inc., B-231756, Sept. 21, 1988, 88-2 CPD ¶ 275.

VSE asserts that our decision in Group Technologies Corp., B-240736, Dec. 19, 1990, 90-2 CPD ¶ 502, requires that its protest of this issue be sustained. We disagree. In Group Technologies, the agency required sample task cost proposals and used them for limited evaluation purposes similar to those in this case. In sustaining the protest, we rejected the agency's arguments in support of its evaluation because the agency did not follow the RFP evaluation criteria. However, there, the RFP explicitly provided that the cost proposal evaluation was to include "consideration . . . [of] the estimated costs proposed for both the sample tasks and the overall contractual requirements." Id. at page 3. The agency found the technical proposals essentially equal and

⁶Prior to issuance of task orders, the contracting officer and the contractor will negotiate the order including the contractor's proposed time, labor classification, and amount of contractor and subcontractor costs. Final task orders will include a ceiling price which will be the maximum amount the government is obligated to pay.

made the award based on lowest evaluated cost. However, the awardee's sample task proposal reflected a significantly higher number of hours and consequent cost. We found that where cost became the deciding factor, to ensure that it obtained the lowest overall performance cost, the agency was required to do what it had represented in the RFP it would do: "take advantage of the cost evaluation tools provided in the evaluation scheme and to perform an analysis that includes the sample costs" Id. at page 9.

VSE argues that the RFP in this case also required the agency to use the sample task cost information in evaluating the probable overall cost. VSE bases its argument on various RFP references to the sample tasks. The proposal preparation instructions required offerors to provide separate cost proposals to quantify both contractor and subcontractor manhours for each sample task. With regard to a requirement for details of the various costs, the instructions advised offerors that "for evaluation purposes," subcontractor costs were to be treated similarly. Section M.5.d. provided that the "cost volume will be evaluated" for completeness; "realism" of loaded labor rates for offeror's employees; reasonableness; and probable overall cost. Noting that the "cost volume" included the sample task cost proposals, VSE contends that the agency's failure to evaluate the sample tasks rendered its cost evaluation inadequate. We disagree and find that the agency's evaluation was consistent with the RFP evaluation scheme.

In Group Technologies the RFP made a single reference to consideration of sample task costs in the evaluation for award and provided no other details regarding the cost evaluation. In the absence of any details, we concluded that the agency was required to consider the impact of those costs on the award decision. Here, in contrast, the RFP provided a detailed cost evaluation scheme which made no mention of sample task cost evaluation. For example, cost adequacy was to be evaluated by examining the total compensation (salary and fringe benefits) proposed for the offeror's professional employees. The offerors' labor rates, as adjusted, were to be used for estimating adequate cost. The RFP cost evaluation scheme makes no mention of subcontractor employees or labor rates. Similarly, probable overall cost to the government was to be estimated using the hourly rates proposed by each offeror for base and option years. The agency intended to and did review sample task costs for the limited purpose of assuring that labor rates were correctly applied. The decision not to specifically explain the limited use does not invalidate it. Accordingly, based on the RFP provisions and the actual information submitted by the offerors, we find no basis to conclude that the agency intended or was required to

evaluate the sample task costs in the manner specified by the protester.

The absence of specific references did not relieve the agency of conducting any evaluation of the sample task costs; and the agency did evaluate them. In addition to ensuring the correct application of labor rates, the SSA's evaluation ensured the agency would obtain the lowest probable overall performance cost. See Group Technologies Corp., supra. First, he awarded VSE more technical points for demonstrating that it could complete the sample tasks in fewer hours. Second, he considered VSE's sample task proposals to determine whether VSE's fewer hours would offset its higher labor rates. In view of the significant constraints involved in negotiating each task order, the SSA determined that VSE's lower hours would not always be low enough to offset its labor rates. Accordingly, we find no basis to object to the agency's evaluation of Vitro's sample task cost proposals.

UNCOMPENSATED OVERTIME

Some of Vitro's labor rates were based on uncompensated overtime (UT). In accordance with the RFP's instructions, Vitro identified these labor rates and advised the agency of its formula for calculating them. In general, Vitro's UT labor rates are lower than its regular rates. In recognition of this fact, before evaluating Vitro for cost adequacy, the agency used Vitro's UT formula to adjust the comparable IGCE rates. In calculating probable overall cost, the agency also used Vitro's UT rates.

VSE challenges the Army's consideration of Vitro's UT labor rates. According to VSE, since Vitro will rely so heavily on subcontractors, the agency will not get the low cost benefit of these rates. Thus, VSE asserts that the calculation of Vitro's adequate cost and probable overall cost is flawed. We disagree.


This aspect of VSE's protest is based solely on its allegation that Vitro will use subcontractors for a high percentage of its performance. As discussed above, we are unpersuaded by VSE's speculation regarding Vitro's subcontracting mix. We also find nothing unreasonable or erroneous in the agency's evaluation of subcontractor costs. Thus, VSE has no basis for challenging the use of the UT rates in evaluating VSE's cost proposal. For the same reason, we find no basis to object to the agency's use of the UT rates in its cost adequacy analysis.

The rates were reasonably adjusted by the evaluators to eliminate any artificial discrepancy between the IGCE and UT rates. Further, DCAA examined Vitro's rates, including the

UT rates, and recommended approval. Thus, we find no basis to discount the agency's assessment that it will obtain its projected benefit from Vitro's UT labor rates.

While VSE argues that proper calculation of Vitro's subcontracting costs combined with proper consideration of the UT rates, would result in a smaller cost difference between the offerors, it provides no estimate of that difference. VSE's speculation in this regard is no more persuasive than it was with respect to the agency's use of a flat subcontracting amount. See Independent Metal Strap Co., Inc., supra.

The protest is denied.


for James F. Hinchman
General Counsel